

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
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Agenda Number:

Prepared on: 08/23/06
Department: Housing and Comm.
Development
Budget Unit: 055
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LATE
DISTRIBUTION

TO: Board of Supervisors

FROM: Ron Cortez, Interim Director
Housing and Community Development

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SUBJECT: Homebuyer Assistance Program Guideline Revisions

Recommendation(s):

That the Board of Supervisors considers the recommendation regarding the following:

- A. Approve the revised *Homebuyer Assistance Program Guidelines* (Attachment A).

Alignment with Board Strategic Plan:

The recommendations are primarily aligned with Goals No. 5 and No. 7. Maintain and Enhance the Quality of Life for all Residents and Strengthen the Safety and Well-Being of Children and Their Families to Ensure a Strong Future for our Community.

Executive Summary and Discussion:

The Santa Barbara County HOME Consortium formed in 1995 established Low – Income Homebuyer Assistance as a primary goal. The Northern Santa Barbara County Homebuyer Assistance Program (HAP) was organized in collaboration with the County’s Consortium partners to implement the Consortium low – income homeownership goal. The HAP provides down payment assistance for low – income homebuyers to purchase their first market rate home in the Santa Maria and Lompoc Housing Market Areas. *The proposed change to the HAP’s Guidelines increasing the maximum loan amount to \$150,000 is necessary in order to continue to provide HAP program benefits in today’s higher cost housing market.* Attachment B provides a detail how the \$150,000 loan maximum was derived.

The public is notified about the program through a variety of sources. Attachment D outlines the Department's process in informing the public about this program.

In 2004, County HCD applied and was awarded a \$500,000 State Small Cities Community Development Block Grant (CDBG) award to provide HAP loans in the Tanglewood and Vandenberg Village target neighborhoods. Since the grant agreement for the funds is set to expire by December 31st of this year and the funds must be committed to loans by September 30th, it is necessary to adapt the HAP guidelines revision to increase the loan amount at this time. Failure to expend these funds by the end of the grant term will result in returning the funds to the State as required.

The HAP program is not part of the County's Inclusionary Housing Program and is different in a number of ways:

- HAP is limited to first time low - income homebuyers who either work or live in County.
- A home purchased by a HAP participant is at a sales price that is not dictated by any governmental program and when sold, the home is sold at a market rate.
- HAP was designed to recapture a portion of the loan in order to provide future loans to low – income homebuyers.
- County reviews a preapplication to determine if the applicant meets the preliminary income requirements for the HAP program and if eligible, forwards their name to Los Padres Savings; Los Padres Savings Bank processes the full loan application, certifies participant eligibility and prepares loan documents; an independent Title Company escrow officer oversees collection of required loan documents.
- The program uses Federal HOME and State Community Development Block Grant funds for the down payment assistance and, therefore, is subject to state and federal review.

HAP Program Procedures are different from the Inclusionary Program:

- Loans will be made as funds are available on a first-ready (trained, approved loan, and signed purchase contract), first-served basis. The County does not make the determination of who is served first. A participant's selection to be served is based upon the timing of their qualification for the program through Los Padres Bank and entering into a purchase escrow with First American Title Company.
- *Annual monitoring of every HAP homeowner* to ensure continuing compliance with owner-occupancy criteria has been conducted.
 - Homeowners are sent an annual owner-occupancy self certification via certified mail with "Do Not Forward" labeled on the envelope.
 - If not returned within the specified timeframe, a second notice is sent.
 - If second notice is not received within the timeframe requested, a physical site inspection is required.
- Participants receive a certificate of completion for attending a required 8 hour educational seminar certified by Fannie Mae. The certificate authorizes participation in the program for two years from the date of the seminar.
- As part of the seminar, participants will be provided a preliminary application to be completed and submitted with documentation to the County within 30 days from the date of the seminar.
- After preliminary approval by the County, participants will be directed to contact Los Padres Savings Bank for loan approval.
- Upon receiving Bank loan approval, participant may enter into a purchase contract on an eligible house, condominium, townhome, etc.

- All purchase contracts for a home should contain a condition regarding availability of HAP funds.

Changes Proposed to HAP Guidelines

Previously, the County provided up to \$60,000 in the form of a silent, second mortgage to help fill the “gap” between the sales price of the home and the potential homebuyer’s pre-approved mortgage amount using federal funds. The homebuyer makes no monthly payments and no interest accrues on the County loan. The term of the loan through the HAP is 30 years. \$20,000 of the loan is forgiven at \$2,000 a year for the first 10 years the homeowner resides in the home after the purchase date. The County recaptured its funds is through shared equity at time of sale or change of ownership. Shared equity is the sharing of the appreciation in the house based on the amount of equity each party (the County and the homeowner) have in the project.

Proposed HAP Guidelines revisions increase the loan amount to \$150,000 and increase the maximum forgiveness of the loan to \$50,000 (or 1/3 of the loan amount if certain criteria are met). Based on a loan amount of \$150,000, forgiveness will occur at the rate of \$5,000 per year for years 1-10 of occupancy in the residence. If the maximum loan amount is less than \$150,000, the maximum amount of the loan forgiven would be one-third of the loan. Annually, one tenth of the forgivable amount will be forgiven per year over years 1-10 of occupancy. The percentage of the loan forgiven and the schedule for forgiveness remains the same as in the current program. Only the loan amount is proposed as a change.

Mandates and Service Levels:

The Housing Finance Program is not mandated; however, acceptance of funds to carry out affordable housing activities requires the County to comply with the conditions attached to those funds.

Fiscal and Facilities Impacts:

This proposed action allocates for specific use, funding already contained in the adjusted budget. There is no fiscal impact on the general fund since it is all State and Federal funding. The Housing Finance Division Budget is found in the County Budget on pages D258-259.

Special Instructions:

HCD will provide public notice of the hearing in accordance to State Community Development Block Grant requirements.

Concurrences:

None

Attachments:

Attachment A: Home Buyer Assistance Program Guidelines

Attachment B: Cost and Income Qualification Example

Attachment C: Program Income Limits

Attachment D: Home Buyer Assistance Program Standard Operating Procedures

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